

MEETING OF THE
CALIFORNIA STATE LANDS COMMISSION

TRANSCRIPT OF PROCEEDINGS

City of Santa Monica
City Hall Council Chambers
1685 Main Street
Santa Monica, California

July 11, 1997
11:15 A.M.

REPORTED BY:
Hope Alwardt,
CSR No. 10095
Our File No. 36953

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APPEARANCES:

COMMISSION MEMBERS PRESENT:

GRAY DAVIS
Lieutenant Governor
Chairman

KATHLEEN CONNELL
State Controller
Member

STATE LANDS COMMISSION STAFF PRESENT:

ROBERT C. HIGHT, Executive Officer
JACK E. RUMP, Chief Counsel
RICK LUDLOW, Senior Counsel
PAUL B. MOUNT, Chief, Land Management Division
SHARON SHAW, Administrative Assistant II

ATTORNEY GENERAL'S OFFICE PRESENT:

DENNIS M. EAGAN, Deputy Attorney General

1 PROCEEDINGS

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5 MR. DAVIS: We're bringing the meeting
6 of July 11th of the State Lands Commission to order.
7 I notice the absence of a quorum, but I believe we
8 can operate as a subcommittee until the controller
9 arrives.

10 And in that capacity, I'd like to ask
11 our executive officer to brief us on the issue that
12 is before us in open session, which is the
13 retrocession of Treasure Island. Then we can
14 commence that discussion and presumably we will have
15 a quorum in time to take action on that.

16 MR. HIGHT: Thank you, Mr. Chairman.

17 Item No. 80 is the retrocession of
18 criminal and civil jurisdiction at Treasure Island.

19 As you know, the military is closing
20 out about 20 military bases throughout California.
21 12 of those contain sovereign land. And in this
22 case, when the military leaves the base, they return
23 the base to California jurisdiction. And so this
24 item is the approval of the return of Treasure Island
25 to the jurisdiction of the State of California. In

1 other words, California's police power and criminal
2 laws would apply to this base. And this is something
3 that is agreed upon by the navy and by the city.

4 The city -- you have a letter in the
5 blue folder. It's inside your binder -- from the
6 city basically saying that they approve of this
7 retrocession.

8 MR. DAVIS: And the retrocession
9 involves the use of the city's police powers in the
10 application of state laws?

11 MR. HIGHT: Yes.

12 And there's a major advantage to, I
13 think, the citizens of California as a whole in
14 having California law applied to them as compared
15 with federal law just because I think due process
16 provisions are a little better than California law.

17 MR. DAVIS: Is the San Francisco Police
18 Department prepared to allocate the resources
19 necessary to fulfill those responsibilities?

20 MR. HIGHT: Yes, they are. And the
21 exact date for the switchover has not been negotiated
22 but it will be very soon.

23 MR. DAVIS: Are there any --

24 (Controller Connell enters the
25 meeting.)

1 MR. DAVIS: I see that the controller
2 is arriving.

3 MS. CONNELL: Rolling in so to speak.

4 MR. DAVIS: Good morning.

5 MS. CONNELL: Good morning to you.

6 I'm happy to see this meeting room is
7 wheelchair accessible.

8 MR. DAVIS: It gives you new
9 appreciation for the Americans With Disabilities Act.

10 MS. CONNELL: Yes. Well, I'm going to
11 publish my own list of those places that don't meet
12 the code, including all the movie theaters and
13 restaurants in L.A. that fail to be sensitive.

14 MR. DAVIS: It's your personal
15 experience they are not up to code.

16 MS. CONNELL: That's right. I have new
17 constituency to support.

18 MR. DAVIS: We are just operating as a
19 subcommittee discussing the item before us in open
20 session, which is the retrocession of Treasure
21 Island. We've just begun to talk about the
22 implications of that. Bob Hight was assuring us that
23 the city was prepared to assume police powers to
24 enforce the laws of the city and the State of
25 California on Treasure Island.

1 I'm just about to ask whether or not
2 there was any navy personnel or any civilian
3 personnel operating on Treasure Island now.

4 MR. HIGHT: There are still navy
5 personnel there. And as soon as this action is
6 approved, they will start to phase out of navy police
7 power. And the exact date of that I have tried to
8 get from the city yesterday but it's still in
9 negotiation. But it would be in the next several
10 weeks that the navy military presence for police
11 power will leave and the city will take over for
12 police power purposes.

13 MR. DAVIS: Does that mean that the
14 MP's will no longer be in charge of enforcing order
15 and ordinances on the base itself?

16 MR. HIGHT: That's correct.

17 Until the title to the land comes back
18 to California, the military will still have
19 concurrent jurisdiction, although they do not intend
20 to have a police force there. The city will take
21 over all of those duties.

22 MR. DAVIS: So when you go on the base,
23 the city -- it will be a city official that waves you
24 on and --

25 MR. HIGHT: Correct.

1 MR. DAVIS: This will be interesting.

2 MR. HIGHT: It will be a major change.

3 MR. DAVIS: Certainly will be.

4 MR. HIGHT: Because Treasure Island has

5 been a military installation since the mid-thirties.

6 MR. DAVIS: And approximately how many

7 people are there now? How many -- total of military

8 and civilian personnel?

9 MR. HIGHT: They are winding down, and

10 my guesstimate is less than a hundred left. They had

11 an official closing ceremony about three weeks ago at

12 which point everybody started leaving the base. And

13 so it will take a process of winding down.

14 MR. DAVIS: Do you have any questions?

15 MS. CONNELL: No.

16 MR. DAVIS: Well, first, let's take the

17 roll to establish a quorum and then we can act on

18 this item.

19 MS. SHAW: Controller Connell?

20 MS. CONNELL: Present.

21 MS. SHAW: Governor Davis?

22 MR. DAVIS: Present.

23 The quorum is present, so we are

24 officially constituted.

25 MR. HIGHT: And, Mr. Chairman, for the

1 record, let me state that there are some items pulled
2 from the agenda, and we will also take up the
3 executive session at the end of this session.

4 Item C24, C26, C34, C56, C72, C29, C14,
5 and C70 will not be heard today and will be heard at
6 a future date.

7 MR. DAVIS: Then I would also like to
8 pull Item 79 largely for discussion purposes but we
9 don't intend to act on it today.

10 MR. HIGHT: Okay.

11 MR. DAVIS: Thank you.

12 All right. Let's first approve the
13 minutes of the previous meeting, the May 12th
14 meeting, if I could have a motion on that.

15 MS. CONNELL: I move approval of the
16 minutes.

17 MR. DAVIS: All right. The minutes
18 being unanimously adopted.

19 Now let's act on the consent calendar
20 as described to us by executive officer Bob Hight.

21 MS. CONNELL: I move the consent
22 calendar as described by our executive officer.

23 MR. DAVIS: All right. I concur.
24 That's unanimously adopted.

25 That leaves before us the directive

1 session of --

2 MS. CONNELL: 79.

3 MR. DAVIS: Well, it leaves before us
4 79, which we'll get to after we finish the
5 retrocession of Treasure Island.

6 Is there anyone from the public that
7 would like to comment positively or negatively on the
8 transfer of police powers from the navy to the City
9 of San Francisco and the transfer of applicable law
10 from navy code to the State of California?

11 (No response.)

12 MR. DAVIS: Hearing none, is there a
13 motion to approve the retrocession?

14 MS. CONNELL: I move the approval.

15 MR. DAVIS: All right. That's
16 unanimously approved as well.

17 MS. CONNELL: I love these meetings
18 where we have no opposition. It's so rare for me in
19 public service.

20 MR. HIGHT: We work very hard to
21 produce that.

22 MS. CONNELL: It's so rare, I might
23 add, in the City of Santa Monica chambers.

24 (Laughter.)

25 MS. CONNELL: It's particularly ironic.

1 No offense to the leaders of Santa Monica.

2 MR. DAVIS: It takes a lot of good
3 staff work to make it easy for us.

4 All right. Let's discuss Item 79.

5 MR. HIGHT: I'll ask Mr. Mount, who is
6 in charge of the Commission's Long Beach oil and gas.

7 Go ahead, Paul.

8 MR. MOUNT: Good morning,
9 Commissioners.

10 Item 79 is a considered approval on
11 proposed development plan for oil and gas leases
12 PRC 2199, PRC 2894, and 2890 -- 2920.1 to drill gas
13 wells from Gaviota to Santa Barbara County.

14 This is a project, the lease was
15 assigned last year to Molino Energy. As part of this
16 item, one of the calendar items, we transferred part
17 ownership, 40 percent, to Benton Oil and Gas. That's
18 calendar Item 73, which is on the consent calendar.

19 Let me show you a little background of
20 this project.

21 (Slides being shown.)

22 MR. MOUNT: It's located off the Santa
23 Barbara coast across from Gaviota, the Chevron
24 Gaviota gas plant. You can see it there.

25 That Chevron Gaviota gas plant is a

1 consolidated site approved by the County of
2 Santa Barbara. It's one of two. The other being
3 Lost Forest Canyon.

4 It's between Santa Barbara and Point
5 Conception -- or Point Arguello actually. And you
6 can see in the yellow part, those are the leases
7 we're talking about.

8 (Next slide) This is an expanded view.
9 Again, there's the Molino site. The Gaviota plant is
10 right here. These are the three fields we're
11 interested in and drilling to and producing gas from.

12 (Next slide) This is a plan view of the
13 site. The area in green here is the existing
14 facilities. These are the gas plants that exist.

15 The area that's surrounded by red is
16 area approved as consolidated site by the County of
17 Santa Barbara. The area in blue is the proposed
18 Molino drill site.

19 (Next slide) This is an aerial view.
20 The coast is at the bottom of the picture. The
21 Gaviota gas plant is up here. And to the right over
22 here and a little bit off of this picture is where
23 the gas well drilling will occur.

24 (Next slide) This is a picture of where
25 the drilling will occur. This is a drill rig

1 superimposed over the landscape to give you an idea
2 what it might look like. Highway 101 is just over
3 the ridge here. And it's barely visible from the
4 freeway.

5 MS. CONNELL: What's the height of that
6 tower?

7 MR. MOUNT: Approximately 150 feet.

8 MS. CONNELL: How much of it would be
9 visible from the highway?

10 MR. MOUNT: About two-thirds.

11 MS. CONNELL: Thank you.

12 MR. MOUNT: This is just a
13 cross-section. Here is the rig that will be drilling
14 offshore under the ocean floor. They will not get in
15 the water at all. All the drilling will occur on
16 land and will occur down into these areas.

17 It's a five-year project. It's within
18 the approved consolidated oil and gas planning area.
19 The onshore drilling is using extended reach drilling
20 technology. It's a three phased project with peak
21 gas production about 60 million cubic feet a day. We
22 can get as high as -- it's going to be designed to go
23 as high as 250 to 300 billion cubic feet recoverable.

24 We'll process at the approved Gaviota
25 processing facility. And it's also backed by a

1 strong international company, Benton Oil.

2 Just to tell you a little about Benton
3 Oil, it was established in '88. They have
4 international operations in Venezuela, Russia, and
5 China. They are listed on the New York Stock
6 Exchange. They have oil reserves worth 448 million
7 dollars. Their annual revenue is about 165 million
8 per year. Their corporate headquarters is in
9 Carpinteria, and they are a proven operator overseas.

10 There are a lot of mitigations related
11 to this project mostly through the EIR, approved by
12 the County of Santa Barbara. These are just some of
13 the mitigation measures they are required to take.

14 One of the most important is the
15 Gaviota tarplant mitigation plan. There's a Gaviota
16 tarplant endangered plan in the area, and it's going
17 to be gathered, the seeds will be collected and
18 replanted elsewhere, plus the parts of the area that
19 still have tarplant will be maintained and actually
20 enhanced. So they are going to do a lot to improve
21 the development of the tarplants in the area.

22 Here's some more mitigation measures
23 that were approved by the county (next slide):

24 Potential revenue of 85 million to the
25 state and revenue sharing 17 million to the County of

1 Santa Barbara.

2 MS. CONNELL: How does that compare to
3 other projects of this nature?

4 MR. MOUNT: This is unique in that it's
5 a gas only project. Most of our projects are oil
6 projects. Generally, the state could reap a hundred
7 million dollar revenue or greater.

8 But because we're only developing gas,
9 our revenue take is a little less. This will be the
10 first project that we've shared revenues with the
11 county like this. So they will participate in our
12 money.

13 Some of the oil fields offshore, if
14 they were developed, could have the potential for
15 several hundred million dollars. So this is
16 relatively small.

17 MS. CONNELL: Thank you.

18 MR. MOUNT: That is my presentation.

19 MR. DAVIS: Is the formula which
20 determines the revenues to the State different for
21 gas than oil?

22 MR. MOUNT: Same formula, straight
23 royalty.

24 MR. DAVIS: So it's just the field is
25 smaller or the anticipated --

1 MR. MOUNT: The field is smaller.

2 MR. DAVIS: Now, you mentioned that

3 Benton is a proven operator overseas. Have they

4 drilled off the coast of California before?

5 MR. MOUNT: No, to my knowledge they

6 have not. It is strictly overseas operations to this

7 point.

8 MR. DAVIS: But you have no doubt about

9 their competence?

10 MR. MOUNT: I have no doubt about it.

11 They've drilled a lot of wells in Venezuela. I

12 believe they've drilled some near lakes as well. And

13 there's a lot of areas they have drilled that were

14 sensitive areas, let's put it that way.

15 MS. CONNELL: Why was there a decision

16 made to share with the county in this circumstance?

17 MR. MOUNT: That was by a law that was

18 passed last year, a bill carried by -- was it

19 O'Connell, Senator O'Connell?

20 MR. HIGHT: No, it was Senator Mattie.

21 MR. MOUNT: Mattie.

22 And 20 percent of our revenues go to

23 the counties where a offshore drilling requires an

24 onshore facility, a new onshore facility, then we

25 then share state revenues.

1 MR. DAVIS: I know some of us are
2 fighting to get the counties a piece of the action
3 for a long time because they get 100 percent of the
4 environmental degradation and in the past very little
5 of the revenues.

6 Does that law apply to offshore
7 drilling or just onshore drilling, the Mattie bill?

8 MR. MOUNT: It applies to drilling from
9 onshore to offshore or drilling from where we're
10 being -- it's just generally onshore to offshore.

11 MR. HIGHT: It applies to new
12 developments.

13 MS. CONNELL: It's not retroactive.

14 MR. MOUNT: No. No.

15 MR. DAVIS: But if we were to site for
16 some reason additional offshore drilling --

17 MR. MOUNT: Yes.

18 MR. DAVIS: -- the counties would
19 benefit?

20 MR. MOUNT: That's correct.

21 MR. LUDLOW: Any new offshore
22 development --

23 MR. MOUNT: From an onshore site.

24 MR. LUDLOW: It could be up to the
25 platform.

1 MR. MOUNT: It could be up to the
2 platform, too.

3 MR. DAVIS: With the moratoriums and
4 all that. I think that's a good chance.

5 MS. CONNELL: It's a fair relationship.

6 MR. DAVIS: Much fair.

7 All right. Thank you for that.

8 Is there anyone from the public that
9 has a comment either in favor or opposed to Item 79?

10 MS. CONNELL: If not, Mr. Chair, I can
11 move approval.

12 MR. DAVIS: I approve as well. So that
13 passes unanimously. Thank you, staff, for that
14 explanation.

15 MR. HIGHT: And that is the end of the
16 commission, Mr. Chairman. And if we could then go
17 into executive session and have the public leave.

18 MR. DAVIS: I have one other item in
19 the public session, and I think this meeting
20 illustrates the good work our staff does to try and
21 resolve difficulties that otherwise would be laid in
22 our lap.

23 I might note that our briefing
24 indicated four environmental agencies were initially
25 opposed to the item we just voted on before various

1 concessions or arrangements were worked out before
2 the County of Santa Barbara and the California
3 Coastal Commission, which meant virtually everybody
4 was in favor of it before it came to us, and our
5 staff played a role in that. They played a very
6 significant role in the acquisition of the Bolsa
7 Chica weapons.

8 And for that and many other reasons,
9 when I was acting governor a couple of months ago, I
10 took the opportunity to proclaim February 14th, which
11 is the day we concluded the action on the Bolsa
12 Chica --

13 MS. CONNELL: With Gray's pen.

14 MR. DAVIS: With the controller's green
15 pen, although I signed this with my own black pen --
16 as Bob Hight Day in the State of California.

17 So, Bob.

18 (Handing proclamation.)

19 (Applause.)

20 MS. CONNELL: I might add, Bob, like
21 everything else in the state government, it's a bit
22 delayed.

23 MR. DAVIS: And I also might add that
24 like everything else in government, it is the product
25 of a lot of good people's work, many of whom are

1 sitting in this audience, who have made the lands
2 commission a very responsive and a very
3 well-respected agency.

4 So on behalf of everybody who makes Bob
5 look good, Happy Bob Hight Day.

6 (Applause.)

7 MR. HIGHT: Thank you very much.

8 MR. DAVIS: With that, we will adjourn
9 the open session, and all the people who won't
10 participate in the executive session should now
11 depart.

12 (The proceedings were concluded at
13 11:35 a.m.)

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1 STATE OF CALIFORNIA)
2 COUNTY OF LOS ANGELES) ss.
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4 I, Hope Alwardt, CSR 10095, a Certified
5 Shorthand Reporter in and for the State of
6 California, do hereby certify:

7 That the foregoing proceeding was taken
8 down by me in shorthand at the time and place named
9 therein and was thereafter reduced to typewriting
10 under my supervision; that this transcript is a true
11 record of the testimony given by the witnesses and
12 contains a full, true and correct record of the
13 proceedings which took place at the time and place
14 set forth in the caption hereto as shown by my
15 original stenographic notes.

16 I further certify that I have no
17 interest in the event of the action.

18 EXECUTED this 22nd day of July,
19 1997.

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Hope Alwardt